

COMMUNITY DEVELOPMENT AUTHORITY

CDA20220404-1

April 4, 2022

UNAPPROVED

A meeting of the Community Development Authority of the City of Cedarburg, Wisconsin, was held on Monday, April 4, 2022 at 6:30 p.m. at City Hall, W63 N645 Washington Avenue, Cedarburg WI, second floor, Council Chambers and online via zoom.

The meeting was called to order by Mayor Michael O’Keefe at 6:30 p.m.

Roll Call: Present - Mayor Michael O’Keefe, Council Member Jack Arnett, Eric Arvold, Eric Stelter, Dale Lythjohan, James Roemer, Mark O’Neill

Also present - City Administrator Mikko Hilvo, City Attorney Michael Herbrand, Council Members Patricia Thome and Kristin Burkart, Todd Taves of Ehlers & Associates, interested citizens and news media

STATEMENT OF PUBLIC NOTICE

Mayor O’Keefe acknowledged that the agenda for this meeting was posted and distributed in compliance with the Wisconsin Open Meetings Law.

APPROVAL OF MINUTES

Motion made by Eric Stelter, seconded by James Roemer, to approve the minutes of the February 14, 2022 meeting. Motion carried without a negative vote.

NEW BUSINESS

PUBLIC HEARING – REGARDING THE PROPOSED CREATION OF TAX INCREMENTAL DISTRICT NO. 7, THE PROPOSED BOUNDARIES OF THE DISTRICT, AND THE PROPOSED PROJECT PLAN FOR THE DISTRICT

Mayor O’Keefe called the public hearing open at 6:31 p.m.

Todd Taves explained:

- How Tax Incremental Financing works
 - But/For Test
- The proposed District boundary
 - Purpose
 - Provide funding for Hanover Street extension, development incentives, and other costs related to redevelopment of the former Mercury Marine Plant site on Western Rd.
 - Maximum Life

- Projected Incremental Valuation

Construction	Apartments	Townhomes	Pocket Homes	Total
2022	\$ 1,593,097	\$ 1,125,068		\$ 2,718,165
2023	8,867,761	3,375,205	\$ 2,493,938	14,736,904
2024	8,867,761	3,375,205	2,992,726	15,235,691
2025	6,707,833	2,425,251	2,493,938	11,627,022
2026			2,493,938	2,493,938
2027			2,493,938	2,493,938
TOTAL	\$26,036,451	\$10,300,728	\$12,968,478	\$49,305,658

- Proposed Project Costs

Project	Cost Estimate
Hanover Avenue Extension (City Financed)	\$ 2.54 million
Development Incentive (“Pay as you go”)*	\$13.48 million
Interest on Debt & Related Financing Expense	\$930 thousand
Administrative Expense	\$130 thousand
TOTAL	\$17.08 million

*Payable solely from tax incremental revenue generated by the District over time (City will not borrow for this cost. Figure shown has an estimated present value of \$8,500,000 at a 4% discount rate.

- Organizational Joint Review Board
- CDA Public Hearing
- CDA Consideration

March 29, 2022

April 4, 2022

April 4, 2022

- Common Council Consideration April 19, 2022
- Joint Review Board Consideration April 21, 2022

Developer Bob Bach explained that they are family-run and were chosen by the landowner after interviewing several companies. He reviewed the site plan and provided an explanation of each area. The City asked that Hanover Avenue be extended through the development to connect with Western Road which will provide added parallel parking during City events, etc. The height and scale of the development will work with the surrounding buildings. Area property values will increase in value when this development is finished.

Council Member Arnett asked Mr. Bach to explain why they need a TIF.

Mr. Bach explained that this is a blighted site and checks all of the boxes for a TIF. They will need to demolish the existing building, remediate the areas where the existing structures were and backfill the existing storm sewer and water pipes, due to contamination from the former businesses that occupied the site, before beginning with the new development. He explained that the source of the contamination is disputed. Identifying the specific polluter is a long, expensive process with no guarantee of a successful conclusion. It is not a typical development expense for construction of the public road and the environmental cleanup required to the higher and more expensive non-industrial/residential standard. Because of these additional costs, P2 Development has requested TIF financing to close the gap these costs create. With TIF financing, the taxes which are currently being collected on the building will continue to be collected. However, the increase in taxes resulting from the new construction will be used to pay for the costs explained above. Once these costs are paid off, the increased tax revenue will flow to the City/Schools and other taxing entities.

Public comment followed.

Michael Schade, W62 N386 Hanover Avenue, expressed concern for the added density and traffic from this development. The traffic and speed on Hanover Avenue will increase greatly when it becomes a through road and will be problematic for the families with children. Mr. Schade asked if a traffic study had been done and what the outcome was.

City Administrator Hilvo explained that a traffic study concluded that the development is not expected to significantly impact traffic operations at the study intersections. Delays and queues increases are minimal and therefore no intersection modifications are recommended for this project.

John Bieberitz of Traffic Analysis and Design, Inc. explained that the traffic study was completed December 7, 2021 and the proposed extension of Hanover Avenue and the added development does not violate any City, State, or County laws and will not cause any traffic problems.

Libbey Brennan, W62 N355 Hanover Avenue, presented the following concerns:

- How was the \$13.5 million figure calculated for the developer incentive?

- Questioned the five year timetable to complete the development and the truck path when removing contaminated soil.
- Great website for the project but the legal opinion is missing.

City Administrator Hilvo explained that \$13.5 million figure is with the interest added to the \$8.5 million for the demolition, remediation, and cleanup of the site. James Roemer added that the TIF is only available for the remediation and Mr. Bach is responsible for the actual cost of the development. This project is a benefit to the City.

Mr. Bach explained that the projected time for the project is 36 months. They will be very conscience of the neighbors during this project and all traffic will use Western Road only.

City Attorney Herbrand explained that the project meets all statutory requirements, and his legal opinion will be submitted with the final proposal that is given to the Common Council on April 11, if the CDA recommends approval to the Council tonight.

Mark O'Neill explained that every detail will be explained in the Development Agreement. The agreement will have several protections insuring that the developer will not reap above market profits. In order to accomplish this, the City will audit all expenditures to be sure actual costs equal projected costs. If actual costs come in lower, the savings in costs will go to the City reducing the TIF period.

Mayor O'Keefe explained that the City will be paid back first, and there will be clauses to protect the City.

Bruce Nead, N50 W6354 Western Road, expressed concern for the additional traffic and stated that he is an advocate for the trees along Western Road. He is specifically concerned about retaining a Catalpa tree that has blooms similar to orchids in the spring.

City Administrator Hilvo explained that the Developer will work with the City Forrester to determine which trees will stay or be removed. The City has a policy that for every tree that is removed, it must be replaced with a tree of equal value. The City is designated as a Tree City USA and works hard to maintain this resource.

James Roemer explained that the current setback requirements will most likely save the tree from removal. Mr. Bach added that they will do what they can to save this tree.

Jill Bernstein, N39 W6325 Jackson Street, asked if there was a remediation plan and how the citizens will be protected.

Bob Bach explained that the plan is to remove the topsoil and transport it to a landfill within the first six months. The soil will be sprayed with water to prevent a plume of dust before removal. The removal will be monitored by an environmental company and the DNR.

Sampson Parsons, Bridge Rd., asked for the total cost to demolish the existing building. City Administrator Hilvo replied that the specific cost is unknown; however, the total estimate for remediation is \$4.1 million. In answer to Mr. Parson's question regarding the total cost of the development, Mr. Bach replied that the total cost of the development is in excess of \$70 million. In answer to Mr. Parson's question regarding the traffic study, Mr. Bieberitz explained that the onsite analysis of the existing building in operation and the traffic of the new site was studied with the result being a net impact.

Libbey Brennan, W62 N355 Hanover Avenue, asked how the development will affect the School District. City Administrator Hilvo provided this information from the School District:

In terms of the impact a TID can have on a public school district, we provided the summary below recently to our School Board:

Since property values do not impact revenue limits, having a TID does not affect cash flow for a public school district (i.e., a district will not receive more or less money to spend based on the status of a TID in their area).

If a TID is approved:

- *There would be no direct revenue limit impact on a district since property values do not impact the formula to determine the cap.*
- *The property value would not be realized by the district until the TID expires. It is expected that the termination of TID #7 will occur in 20 years once a sufficient tax increment is generated to pay all project costs.*
- *Residential developments such as TID #7 may generate additional students for a district, which typically leads to an increase in the revenue limit and the amount of state aid received. The revenue limit and state aid would roughly increase proportionality leading to a flat tax levy impact.*
- *However, the type of residential development proposed for TID #7 is a mix of apartments, townhomes and 26 single-family homes. Traditionally rental units do not historically yield as many students as single-family homes (approximately one student for every ten rental units on average).*
- *Based on a previous study of the Woodmere Apartments development, this type of housing usually leads to roughly 0.12 students per unit as opposed to the 1.11 students from the Topview Trail development that is comprised of single-family homes. With a total of 230 apartment-type units as part of this proposal, it would be reasonable to expect roughly 28 new students from this development. Possibly a little bit more since there is a mix of townhomes and "pocket homes" also included in this development. From a prior analysis of past developments, we can anticipate about half the students being of elementary age, a quarter being middle school age and a quarter high school age. Rounding up from 28 to 30, for simple math, which would mean 15 elementary students, 7-8 middle school students and 7-8 high school students. Given our current spaces, we have the capacity to absorb this increase.*

Council Member Arnett explained the recent \$60 million school referendum addressed capacity issues and determined that Westlawn School's capacity would be 345 students, today there is 293 students. He also provided attendance totals for Westlawn School for the past seven years and concluded that Westlawn School has accommodations for 52 additional students at this time.

There were no further comments from the Community Development Authority members.

Motion made by Eric Stelter, seconded by James Roemer, to close the public hearing at 7:26 p.m. Motion carried without a negative vote.

DISCUSSION AND POSSIBLE ACTION ON RESOLUTION NO. 2022-10 DESIGNATING PROPOSED BOUNDARIES AND APPROVING A PROJECT PLAN FOR TAX INCREMENTAL DISTRICT NO. 7, CITY OF CEDARBURG, WISCONSIN

Mayor O'Keefe explained that there are very few mechanisms available to municipalities to encourage development in these types of areas. The TID will turn a liability into tax revenue for the City. Another positive aspect to this development is the \$1.5 million in impact fees that will be received to support the services within the City.

Council Member Arnett highlighted numerous assets of this TID and the levels of protection for the City, concluding that he is in favor of the TID.

Eric Stelter explained that he has an 18 year history with the Economic Development Board and has reviewed other proposals for this property that were not good for the City, concluding that he is in favor of the TID.

Dale Lythjohan stated he would support the TID; however, he asked that a message be sent to the PRPs that they are still responsible and should help in any way possible.

Mark O'Neill explained that money is not being given away, as the developer will have an agreement with the City to deliver the described project with a pay-as-you-go TID. The Developer will be borrowing money and the City will pay the agreed upon amount after.

Council Member Arnett thanked the public for a respectful discussion this evening.

Discussion ensued on the report posted to the DNR website citing their investigation.

City Administrator Hilvo explained that it would be a long drawn out process to make the PRPs responsible for cleanup of the site and their cleanup would only go as far as an industrial standard. This site has been rezoned as residential, which requires the developer to remediate the property to a residential level.

Motion made by Council Member Arnett, seconded by James Roemer, to approve Resolution No. 2022-10 designating proposed boundaries and approving a project plan for Tax Incremental

District No. 7 and the Community Development Authority instructs City staff to prudently consider pursuing the principle responsible parties to seek funds to remediate the project site. Motion carried without a negative vote.

ADJOURNMENT

Motion made by Council Member Arnett, seconded by Eric Stelter, to adjourn the meeting at 7:49 p.m. Motion carried without a negative vote.

Amy D. Kletzien, MMC/WCPC
Deputy City Clerk